

## Message Text

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ACTION ARA-10

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FM AMEMBASSY TEGUCIGALPA  
TO SECSTATE WASHDC PRIORITY 5282  
INFO AMEMBASSY PANAMA PRIORITY

C O N F I D E N T I A L TEGUCIGALPA 5850

PANAMA FOR AMBASSADOR BECKER

E.O. 11652: GDS  
TAGS: EINV. HO  
SUBJECT: GOH EXPROPRIATION OF UNITED BRANDS' LAND

REF: (A) STATE 299716, (B) TEGUCIGALPA 5786

BEGIN SUMMARY. UNITED BRANDS COMPANY OFFICIALS ARRIVED IN HONDURAS DECEMBER 15 TO INITIATE DISCUSSIONS WITH THE GOH CONCERNING THE ANNOUNCEMENT LAST WEEK OF ITS INTENTION TO EXPROPRIATE ABOUT 35,000 HECTARES OF UB LANDS. IN CALL ON CHARGE DECEMBER 16, THEY EXPRESSED DISMAY AT TIMING OF GOH ACTION AND THOUGHT IT MORE THAN A COINCIDENCE THAT IT WAS ANNOUNCED ON SAME DAY AS UB SUBMITTED REPORT TO SEC. ALTHOUGH UB HAD UNDERSTOOD IT WOULD HAVE TO RELINQUISH SOME OF ITS LANDS, IT IS CONCERNED OVER INCLUSION OF FLOOD CONTROL LANDS AND EXTENT OF LANDS DESIGNATED AS PASTURES IN AREAS TO BE EXPROPRIATED. ALTHOUGH UB OFFICIALS THINK COURTS WOULD RULE IN FAVOR OF COMPANY ON THESE POINTS, THEY WISH TO WORK OUT A SOLUTION BY NEGOTIATING WITH GOH RATHER THAN GO TO LITIGATION. THEY ARE MEETING WITH GOH OFFICIALS 16 AND 17 AND WILL CALL ON AMBASSADOR LATE AFTERNOON DECEMBER 17. END SUMMARY.

1. UNITED BRANDS COMPANY (UB) OFFICERS ARRIVED HONDURAS DECEMBER 15 TO BEGIN DISCUSSIONS WITH GOH REGARDING AGRARIAN  
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REFORM INSTITUTE (INA) ANNOUNCEMENT LAST WEEK OF INTENTION TO EXPROPRIATE ABOUT 35,000 HECTARES OF UB LAND. UB GROUP, HEADED BY SENIOR VICE PRESIDENT AND GENERAL COUNSEL WILLIAM H. MATHERS, INCLUDES GEORGE M. SKELLY, JR., ASSISTANT GENERAL COUNSEL, AND TWO OFFICERS OF UB HONDURAS OPERATING SUBSIDIARY TELA RAILROAD COMPANY: EDUARDO ARAGON, GENERAL MANAGER, AND

GUY HARRIS, CHIEF ENGINEER.

2. THE UB CONTINGENT MET FOR TWO HOURS WITH CHARGE AND OTHER EMBOFFS DECEMBER 16 TO REVIEW RECENT DEVELOPMENTS. MATHERS ACKNOWLEDGED THAT UB WAS AWARE THAT INA HAD FOR SOME TIME BEEN WORKING ON PROPOSALS WHICH WOULD AFFECT SOME OF ITS LANDS, BUT EXPRESSED SURPRISE AND DISMAY AT EXTENT AND TIMING. THE INA ACTIONS WOULD, IF CARRIED OUT, EXPROPRIATE ABOUT 85,000 ACRES OF UB'S PRESENT TOTAL OF 112,139 ACRES. THE TIMING OF INA'S ACTION IN MID-DECEMBER WHEN IT IS DIFFICULT TO MAKE TRAVEL ARRANGEMENTS PLACES UB AT A DISADVANTAGE. IT APPEARS MORE THAN A COINCIDENCE, HE ADDED, THAT INA'S ANNOUNCEMENT OCCURRED ON SAME DAY THAT SPECIAL INVESTIGATIVE COMMITTEE'S REPORT WAS SUBMITTED IN SEC PROCEEDINGS. HE NOTED THAT THE DECREES OBVIOUSLY WERE PREPARED HURRIEDLY AND CONTAIN MANY ERRORS- SOME OF WHICH RAISE LEGAL QUESTIONS. IF TIMING DELIBERATE, HE EXPRESSED SURPRISE THAT INA KNEW WHEN REPORT TO SEC WOULD BE HANDED OVER. ADDITIONALLY, UB HAD BEEN IN TOUCH WITH GOH REGARDING STATUS OF LANDS IN QUESTION AND HAD BEEN GIVEN NO ADVANCE INDICATION THAT EXPROPRIATION WAS IMMINENT.

3. MATHERS SAID THAT UB UNDERSTOOD THAT IT MAY HAVE TO GIVE UP SOME LAND, BUT EXPRESSED CONCERN REGARDING PASTURE LAND ON WHICH IT MAINTAINED LARGE PUREBRED AND MIXED BREED HERDS, HE OBSERVED THAT IN ITS DECREES INA HAD SEEMED TO DEDUCT LAND ACTIVELY UNDER BANANA AND OIL PALM CULTIVATION FROM TOTAL AND TO REFER TO BULK OF REMAINDER AS PASTURE WHICH TENDS TO EXAGGERATE AREA EMPLOYED AS PASTURE, THEREBY LENDING CREDENCE TO ALLEGATION THAT THE BALANCE OF LAND IS UNDER-UTILIZED AS CATTLE LAND AND THEREFORE SUBJECT TO EXPROPRIATION. HE  
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EXPLAINED THAT CONSIDERABLE LAND IS REQUIRED IN AREA OF AMK UPSTREAM FROM AREAS UNDER CULTIVATION FOR FLOOD CONTROL AND MAINTENANCE OF PROPER IRRIGATION AND DISEASE CONTROL. RATIO IS ABOUT TWO ACRES FOR EACH ACRE UNDER PLANTING. FURTHER, IF THIS LAND PASSES FROM UB CONTROL THERE IS LITTLE ASSURANCE THAT PROPER FLOOD CONTROL AND WATER MANAGEMENT WILL BE CARRIED OUT. ALSO, IF INA SETTLES CAMPESINOS ON THIS LAND IT RUNS RISK OF PERIODIC FLOODING AND LOSS OF LIFE, PROPERTY AND CROPS.

ALTHOUGH THEY BELIEVE THE COURTS WOULD RULE IN FAVOR OF THE COMPANY ON THESE POINTS, THEY WISH TO ATTEMPT TO REACH AGREEMENT THROUGH NEGOTIATING WITH THE GOH, RATHER THAN RESORT TO LITIGATION.

4. EMBOFFS INFORMED THE UB REPRESENTATIVES OF AMBASSADOR BECKER'S CONVERSATION DECEMBER 11 IN WHICH ECONMIN VICENTE DIAZ INFORMED HIM THAT CHIEF OF STATE MELGAR HAD APPOINTED A CABINET-LEVEL COMMISSION TO ENGAGE IN NEGOTIATIONS WITH BU

(REPORTED REF (B). MATHERS POINTED OUT THAT UB LAST APRIL HAD REQUESTED ESTABLISHMENT OF SUCH A COMMISSION TO DEAL WITH LAND QUESTIONS, BUT RECEIVED NO RESPONSE THEN NOR IN SUBSEQUENT FOLLOWUP EFFORTS. WE DISCUSSED POSSIBLE SIGNIFICANT FAILURE TO INCLUDE IN A DIRECTOR SANDOVAL AS MEMBER OF COMMISSION AND AGREED THAT NONETHELESS IT SEEMS DESIRABLE FOR UB OFFICERS TO CALL ON HIM TO AVOID RISKING HIS ALIENATION.

5. MR. MATHERS REFERRED TO AMBASSADOR BECKER'S TELEPHONE CONVERSATION DECEMBER 11 WITH UB PRESIDENT BOOTH AND WELCOMED OPPORTUNITY TO MEET WITH AMBASSADOR ON LATTER'S RETURN FROM PANAMA 4:30 PM FRIDAY, DECEMBER 17.  
BARTCH

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